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# Department of Higher Education

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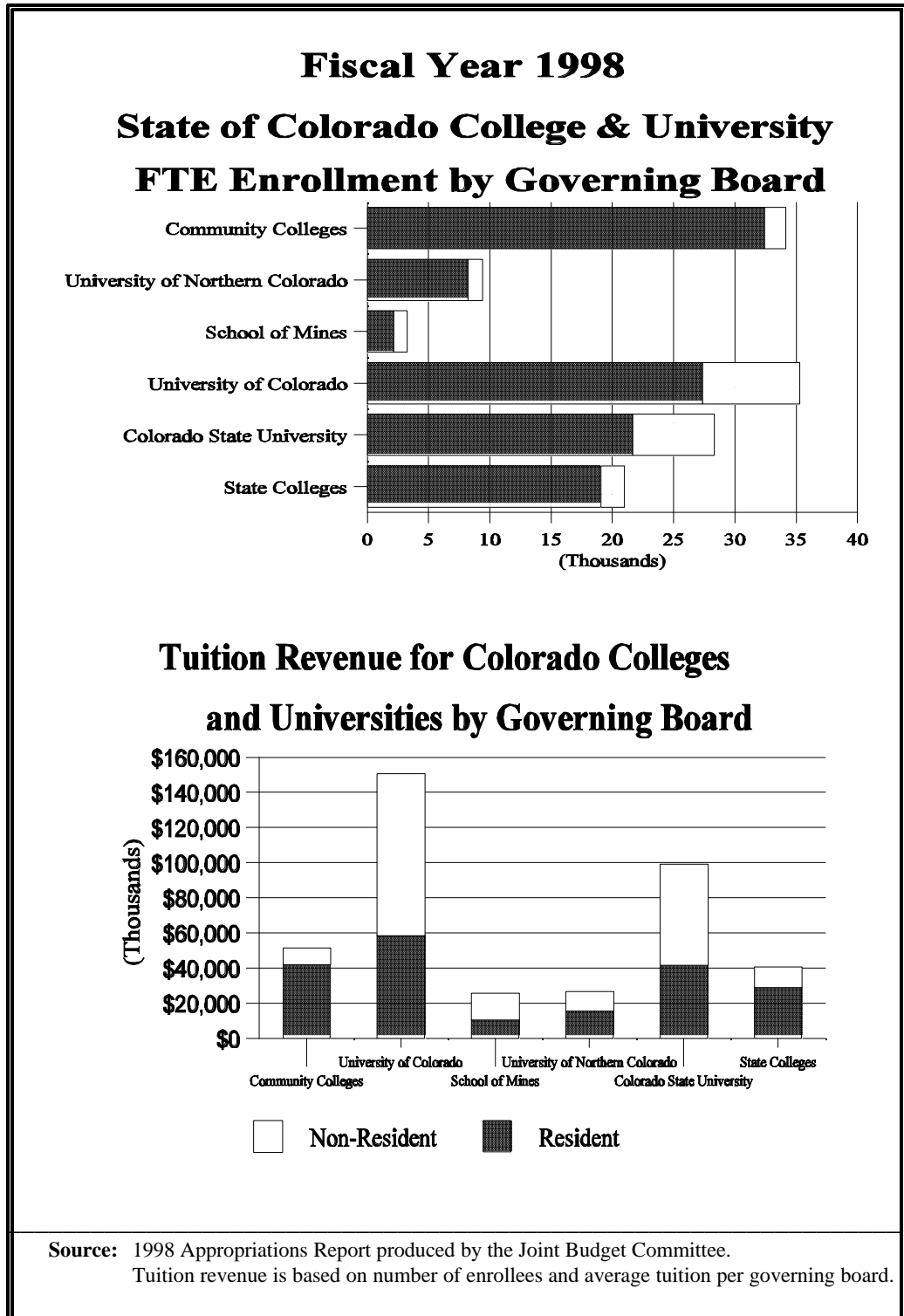
## Introduction

The Department of Higher Education was established under Section 21-1-114, C.R.S., and includes all public higher education institutions in the State. It also includes the Auraria Higher Education Center, the Colorado Advanced Technology Institute, the Colorado Commission on Higher Education, the Colorado Council on the Arts, the Colorado Student Loan Division, the Colorado Historical Society, and the Division of Private Occupational Schools.

The State has 25 public institutions of higher education that are governed by six different boards. The governing boards and the schools they oversee are:

- **Board of Regents of the University of Colorado**
  - University of Colorado at Boulder
  - University of Colorado at Colorado Springs
  - University of Colorado at Denver
  - Health Sciences Center
- **State Board of Agriculture - Colorado State University System**
  - Colorado State University
  - Fort Lewis College
  - University of Southern Colorado
- **Trustees of the State Colleges of Colorado**
  - Adams State College
  - Mesa State College
  - Metropolitan State College of Denver
  - Western State College
- **State Board for Community Colleges and Occupational Education (SBCCOE)**
  - 13 Community Colleges
- **Trustees of the University of Northern Colorado**
  - University of Northern Colorado
- **Trustees of the Colorado School of Mines**
  - Colorado School of Mines

The following graphs depict comparative data between the governing boards of the State's colleges and universities.



## Colorado Student Loan Division

The Colorado Student Loan Program (CSLP), which is administered by the Colorado Student Loan Division, helps Colorado residents obtain financing for higher education. Created by a June 1979 Colorado Legislative Act, the CSLP guarantees students loans made by private lenders in accordance with federal regulations. Private lending entities include banks, savings and loan associations, pension funds, credit unions, and insurance companies. The mission of CSLP is to provide students access and choice regarding post-secondary education by ensuring the availability of educational financing.

The following comment was prepared by the public accounting firm of Bondi & Co., who performed work at the Colorado Student Loan Division.

### Improve Internal Reconciliation Procedures for Defaulted Loan Payments

When CSLP receives a payment on a defaulted loan, they are required to report this information to the U. S. Department of Education within 45 days of receipt. They report this information on the 1189 report which is sent to the U. S. Department of Education on the first of every month.

During our testing of payments after default, we identified 2 payments received, out of the 20 selected for testing, which were not reported on the 1189 report. The amount the Division remitted on a monthly basis to the U. S. Department of Education was underestimated for payments on these claims. The U. S. Department of Education requires remittance of all payments received on defaulted loans monthly. The Division was not in compliance with the reporting requirements.

This occurred due to a system conversion approximately seven years ago that did not transfer all claims correctly. Some of the defaulted loan accounts were not included in the parameters of selecting payment information to report to the U. S. Department of Education. Some accounts which existed prior to 1988, were not being flagged to include the payment as part of the Division reinsurance amount.

The Division underreported payments on 474 defaulted claims they identified as not being included in the reinsurance amount reported to the U. S. Department of Education. The amount of principal and interest payments received since 1984 totaled \$650,825.85, from April 1984 through the current period.

In July 1998, the Division developed a report to identify the claims not being remitted to the U. S. Department of Education on their system. The Division reported the amounts to the U. S. Department of Education at the end of July 1998. No additional corrective action is necessary at this time. Programming changes have been made to the system to accurately identify and report all claim payments on defaulted loans. The Division now reports these amounts to the U.S. Department of Education monthly.

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### **Recommendation No. 7:**

The Colorado Student Loan Division should re-examine its internal reconciliation procedures to develop a system to prevent this type of error occurring in the future.

### **Colorado Student Loan Division Response:**

Agree. After it was discovered that there were claims paid that erroneously showed no reinsurance received, a report was developed to show all claims on the system that should have been updated with reinsurance, but are showing no reinsurance received. This report will be run quarterly to ensure that all claims have been properly updated to show reinsurance has been received and all payments have been properly reported to the Department of Education on form 1189. The Division also currently performs, and has performed since 1989, a monthly reconciliation of reinsurance received and reinsurance posted on its guarantee system to ensure that all claim accounts are updated with reinsurance when reinsurance is received.

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## **Board of Regents of the University of Colorado**

The Board of Regents is constitutionally charged with the general supervision of the University and the exclusive control and direction of all funds of and appropriations to the University, unless otherwise provided by law. The University consists of four campuses: Boulder, Health Sciences Center, Denver, and Colorado Springs, as well as central administrative offices. Within the four campuses, 16 schools and colleges offer more than 140 fields of study at the undergraduate level and 100 fields at the graduate level.

## **University of Colorado**

The University of Colorado was authorized on November 7, 1861, by the Act of the Territorial Government. When Colorado became a state in 1876, the University was declared an institution of the State of Colorado.

The following comment was prepared by the public accounting firm of KPMG LLP, who performed work at the University of Colorado.

### **Procedures to Calculate Student Financial Aid Refunds at Boulder Should Be Followed and Monitored**

See Recommendation No. 2 in Section II titled Financial Statement Findings.

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## **State Board of Agriculture**

The State Board of Agriculture has control and supervision of three distinct institutions: Colorado State University – a land-grant university; Fort Lewis College – a liberal arts college; and the University of Southern Colorado – a regional university with a polytechnic emphasis. The Board is also responsible for the Colorado State University Agricultural Experiment Station, the Cooperative Extension Service, and the Colorado State Forest Service.

The Board administers the State Board of Agriculture Fund located at the State Treasury. The Board is authorized to fix tuition, pay expenses, and hire officials. The chief academic and administrative officers are the Chancellor of the Colorado State University System and the President of each institution.

### **Colorado State University System**

Colorado State University, Fort Lewis College, and the University of Southern Colorado have been consolidated as a single financial reporting entity – the Colorado State University System (CSUS).

### **Fort Lewis College**

The following comment was prepared by the public accounting firm of Chadwick, Steinkirchner, Davis & Co., who performed work at Fort Lewis College.

## **Federal Pell Grant Program (CFDA No. 84.063)**

See Recommendation No. 3 in Section II titled Financial Statement Findings.

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## **University of Southern Colorado**

The following comments were prepared by the public accounting firm of Baird Kurtz & Dobson, who performed work at the University of Southern Colorado.

### **Efficiencies and Technical Improvements to the Perkins Loan Fund Accounting**

The Perkins Loan Fund (Perkins) is a fund established at the University for the purpose of providing loans funded by the U.S. Department of Education (CFDA #84.038) and the State of Colorado. Students with financial need are awarded loans from the fund and are required to repay the loans upon separation from the University after a nine-month grace period. As of June 30, 1998, there were Perkins loans outstanding totaling \$3,715,828. During 1998 the University disbursed 526 Perkins loans totaling \$656,068. The U.S. Department of Education requires certain procedures to be followed by all institutions accepting federal Perkins dollars. If these procedures are not followed, the University risks losing these federal funds to support student attendance. Our audit procedures included testing 30 Perkins loans. We noted the following:

- For six of the students tested, the calculation of the nine-month grace period was not proper. It appears these errors are occurring due to tentative graduation dates being entered into the system versus entering actual graduation/separation dates.
- The University procedures allow employees to change the borrower status manually (i.e., in school, grace, repayment, deferment, etc.). The University does not have a procedure to review or approve changes made to the borrower status.

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### **Recommendation No. 8:**

The University of Southern Colorado should improve the process for Perkins loans to make it more efficient and to ensure compliance with U.S. Department of Education requirements as follows:

- a. The University should review the current process of changing borrower status and implement changes to effectively and efficiently keep borrower information current and accurate.
- b. A system-generated comparison should be utilized to determine that all students reported as in school are registered for classes at the University or meet other eligibility requirements. This would ensure that tentative dates are updated in a timely manner.

### **University of Southern Colorado Response:**

Agree. Existing practices for management of borrower records will be reviewed in order to prevent the occurrence of future errors. Additionally, the University will pursue development of an electronic interface between the Records Office information system and the Perkins Loan program management software to address accuracy issues in recording graduation/separation dates.

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### **Timely Updating of Student Separation Dates**

One of the compliance requirements for the Federal Family Education Loan Program (FFELP) (CFDA #84.032) is that guarantors be notified within 60 days of a student's separation from the University. We tested the notification of FFELP guarantors or lenders. We selected 20 students for testing out of a population of 499 graduating or separating from the University. We noted that following instances where the guarantors were not notified within 60 days as required by federal regulations:

- One student graduating December 12, 1997, and one graduating May 1, 1998 did not have guarantor notification.
- Five students graduating December 12, 1997, had guarantor notification, but did not meet the 60-day requirement for notification.

In each of these instances, separation information was not updated in University files.

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### **Recommendation No. 9:**

The University of Southern Colorado should improve the process for updating the

student separation files to ensure timely compliance with federal regulations requiring notification to guarantors.

### **University of Southern Colorado Response:**

Agree. The University will post graduation/separation dates in a timely manner.

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## **Improper Pell Award**

See Recommendation No. 4 in Section II titled Financial Statement Findings.

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## **State Board for Community Colleges and Occupational Education**

The State Board for Community Colleges and Occupational Education was established by “The Community Colleges and Occupational Education Act of 1967,” Title 23, Article 60 of the Colorado Revised Statutes. The Board functions as a separate entity and, as such, may hold money, land, or other property for any educational institution under its jurisdiction. The statute assigns responsibility and authority to the Board for three major functions:

- Governing the State’s system of community and technical colleges.
- Administering the occupational education programs of the State at both secondary and post-secondary levels.
- Administering the State’s program of appropriations to local district colleges and area vocational schools.

## **Community Colleges and Occupational Education System**

The 13 colleges in the Colorado Community Colleges and Occupational System (CCCOES) include Arapahoe, Aurora, Denver, Front Range, Lamar, Morgan, Northeastern Junior, Otero, Pikes Peak, Pueblo, Red Rocks, and Trinidad, and the Colorado Electronic Community College.



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## **Trinidad State Junior College**

The following comment was prepared by the public accounting firm of Arthur Andersen LLP, who performed work at the CCCOES.

### **Financial Aid Eligibility**

To be eligible for Title IV Financial Aid a student must have, per Federal Regulation 668.32, a high school diploma, its recognized equivalent, or obtained within 12 months before the date the student initially receives aid, a passing score on an approved independently administered test. As a result of eligibility testing for financial aid at Trinidad State Junior College (TSJC) it was determined that 3 out of the 52 students reviewed were issued Pell Grants, CFDA # 84.063, without meeting the above requirement. Following our testing, the amounts awarded to the three students which were ineligible for Title IV Financial Aid totaling \$4,400, were, as required, refunded to the Secretary, U.S. Department of Education, per regulation section 668.95. TSJC had 1,115 students which received Pell Grants in Fiscal Year 1998.

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### **Recommendation No. 10:**

Trinidad State Junior College should develop a checklist that identifies all eligibility requirements. The checklist should be completed for each applicant before they are approved for financial aid and the funds are disbursed. In addition, Trinidad State Junior College should review the files for the remaining students which received Pell Grants in Fiscal Year 1998 to ensure they met all eligibility requirements under Federal Regulation 668.32.

### **Trinidad State Junior College Response:**

Agree. The College will review each student's response to the financial aid question for information on their high school diploma. Follow-up will be done to be sure that all students meet the requirements for financial aid eligibility.

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## **Trustees of the University of Northern Colorado**

The Board of Trustees is the governing body of the University of Northern Colorado and is composed of seven members appointed by the Governor, with consent of the Senate, for four-year terms; one faculty member elected by the faculty; and one student member elected by the student body.

### **University of Northern Colorado**

The University of Northern Colorado seeks to provide all students with a broad general education as well as preparation of selected professions within the fields of business, education, health services, music, and related areas. Historically, a principal emphasis has been preparing students for careers in education.

The following comments were prepared by the public accounting firm of Anderson & Whitney, P.C., who performed work at the University of Northern Colorado.

### **Review Calculations of Federal Grant Matching**

Some incorrect computations, totaling \$4,056, were seen in the calculations of University funds used to match federal grants (CFDA 47.076), although the University met the overall matching requirement for the grant. We also noted \$4,000 of University student fees which were charged to programs for participants. OMB Circular A-21 does not allow “student activity costs” to be charged to federal programs or used as match, unless specifically provided for in the sponsored agreement.

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### **Recommendation No. 11:**

The University of Northern Colorado should add further review procedures to the computation of federal grant match and discontinue charging student fees to federal programs or using them as match.

### **University of Northern Colorado Response:**

Agree. The University will review all computations of federal grant match and will discontinue charging student fees to federal programs or using them as match. Implemented, October 1998.

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## **Refine Refund and Repayment Policies**

See Recommendation No. 5 in Section II titled Financial Statement Findings.

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## **Trustees of the Colorado School of Mines**

The Board of Trustees is the governing body of the Colorado School of Mines and is composed of seven members appointed by the Governor, with consent of the Senate, for four-year terms, and one nonvoting student member elected by the student body.

## **Colorado School of Mines**

The Colorado School of Mines was founded on February 9, 1874. The primary emphasis of the Colorado School of Mines is engineering, science education, and research. The authority under which the School operates is Article 40 of Title 23, C.R.S.

The following comment was prepared by the public accounting firm of Deloitte & Touche LLP, who performed work at the Colorado School of Mines.

## **Federal Grants Are Not Closed Out in a Timely Manner**

In the current year it was noted that there continues to be federal grant projects which are closed late. As a result, the Colorado School of Mines is not in compliance with federal reporting requirements which could jeopardize future federal funding. This was a recommendation also made in the prior year. Federal financial reporting requirements state that close-out of projects (both contractual and financial obligations) must be submitted within 90 days of project completion. It was noted, however, that Colorado School of Mines is making a concerted effort to timely close these projects and is making substantial progress on closing the older grant projects which continues to be a problem.

It was noted that of the 280 total projects closed as of June 30, 1998, 245 of those projects were closed late. Over 86 percent of them related to grant projects which had a project end date prior to June 30, 1997, and approximately 14 percent had project end dates for the current fiscal year. Also, through review of those projects late for close-out on the pending closures listing, it was noted that there were 120 projects already late for close-out. Over 79 percent of the projects relate to grant

project end dates prior to June 30, 1997, and approximately 21 percent related to projects with end dates in the current fiscal year. The Department has been able to implement many planned controls that have proven to be effective. However, the timely return of documents from the Principal Investigator's and receipt of payment from the sponsoring agencies continues to delay the close-out procedures. Also, for those projects which are very old, it is very difficult to locate a contact.

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### **Recommendation No. 12:**

Colorado School of Mines through the Office of Research Services should continue to implement the procedures and controls necessary to ensure that all close-out reports and reimbursement requests are submitted as quickly as possible following the completion of a project. The Office of Research Services should concentrate on closing older projects without jeopardizing the timely close-out of current projects.

### **Colorado School of Mines Response:**

Agree. Fiscal Services and the Office of Research Services (ORS) have been diligently working in a coordinated effort to realize continued improvement in the timeliness of project close outs. New forms (memos) and other internal documents have been successful in enhancing the exchange of necessary information between the Principal Investigator, ORS, and Fiscal Services. Additionally, in the current year, a staff person has been assigned full-time to handle the payment problems and close out issues with the sponsoring agencies. Continuation of these efforts will ensure that the backlog of older projects is closed without sacrificing the timely closure of current projects.

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